



IOWA ABD

Alcoholic Beverage Division

Strategic Plan FY 2018 - 2022

Get the Strategic Plan online at
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Strategic Plan Overview

Goal 1:

Maximize revenue to the General Fund through ongoing improvements in the distribution of spirits.



Goal 2:

Provide educational opportunities for internal and external stakeholders, and refresh the regulatory program that ensures licensee compliance.



Goal 3:

Maintain a competitive and transparent environment for Iowa businesses



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Introduction

" Maintaining a responsive and effective organization requires state agencies to look at their business processes and operations strategically."
— Stephen Larson, Administrator

Overview

In today's alcohol marketplace, it is more important than ever for the Iowa Alcoholic Beverages Division (Division) to examine its operations to ensure that the Division efficiently manages and allocates its resources and returns value for the investments dedicated to its mission. This requires a comprehensive organizational strategy to guide strategic decisions about our operations and policies.

The Division has engaged in an intensive strategic planning process to devise a plan that is progressive and participatory. We reassessed our mission, vision, and values, and defined the organizational strategy to improve our performance over the next four years.

Monitoring performance aligned to our strategy requires implementation of effective performance measures. The Division plans to use a suite of performance measures and indicators to monitor and address key risks and evaluate progress toward each strategic objective that supports our program goals. These performance measures will be monitored and updated as objectives and programs evolve.

The Division is issuing its strategic plan for fiscal years 2018-2022 to define its roadmap for continuous improvement. This organizational strategy serves as a guide for strategic decisions about our operations and policies. The strategic management framework engages individuals from across the Division, reflecting insights, creativity, and energy of the entire organization.

As we move forward with implementing this strategic plan, we expect continued opportunities for our various internal and external stakeholders to become involved with objectives and initiatives to help us improve results and achieve our strategic goals that align with Governor Reynolds goal of "Creating a competitive business environment."

Authorities and Responsibilities

The Division operates under the authorities of the Iowa Alcoholic Beverage Control Act (Iowa Code chapter 123) as well as other applicable state and federal laws, rules, and regulations. The Division administers and regulates Iowa's alcoholic beverages laws, and is led by the Administrator, who is charged with the authority and responsibility of overseeing the Division's day-to-day functions and executing the Division's policies.

The Division is comprised of three areas: Licensing and Regulatory Compliance, which oversees licensing, regulation, administrative actions, and tobacco enforcement; Financial and Asset Management, which oversees product and inventory management, accounting, information technology, safety and security, and buildings and grounds; and Spirits Distribution, which oversees warehousing and distribution functions and the fulfillment of spirits orders.

The Division's core functions of licensing, regulation, and the distribution of spirits are focused on maintaining a fair and level playing field for stakeholders while also generating revenue for state and local governments. In Fiscal Year 2018, the Division transferred over \$120 million to the General Fund. Based on current sales trends, Fiscal Year 2019 transfer commitments will meet or exceed the agency estimated amount of \$116 million.

In Fiscal Year 2018, the Division issued over 16,000 licenses and permits. Licensees and permittees include on- and off-premises retailers, manufacturers, brokers, and wholesalers. The Division interacts with licensees and permittees in multiple ways, including providing platforms for online licensing and product ordering, conducting compliance inspections to ensure a fair and level playing field for licensees and permittees, and delivering orders to class "E" licensees.

The Iowa Alcoholic Beverages Commission

The Iowa Alcoholic Beverages Commission is created under Iowa Code section 123.5 and is comprised of five members appointed by the governor and subject to confirmation by the Senate. Each member serves a five-year term, with the ability to serve a maximum of two terms. The commission acts as a public policy-making body and serves in an advisory capacity to the Division's administrator.

The Division Administrator

The Division administrator's duties are outlined in Iowa Code section 123.9. The administrator is appointed to a four-year term by the governor, subject to confirmation by the Senate. The administrator holds the authority to wholesale alcoholic liquor and license, inspect, and regulate the entire alcoholic beverages industry in the state of Iowa.

Mission, Vision, and Values

Mission

To serve Iowans through responsible and efficient licensing, regulation, and distribution of alcohol.

Vision

The Iowa Alcoholic Beverages Division provides clarity, consistency and equity to all stakeholders within the beverage alcohol industry.

Values

The Division has adopted the following core values, which employees are expected to demonstrate in carrying out the core functions.

- **ACCOUNTABILITY.** Respond to requests for guidance received from policymakers and stakeholders with information that is accurate and unbiased. Provide accurate service to class “E” customers in a timely manner.
- **APPRECIATION.** Instill within Division employees an understanding of the worth and importance of providing our customers with high quality goods and services they need to be successful.
- **INTEGRITY.** Conduct every task within the Division with honesty and dedication to purpose. Enable staff to take pride in their respective duties through communication and training.
- **COMMITMENT.** Regulate the industry and deliver spirits in a responsible manner.

Assessment

Agency Structure and Services: The Division is led by the administrator, who is charged with the authority and responsibility of overseeing the Division's day-to-day functions of licensing and regulatory compliance, financial and asset management, and spirits distribution.

Opportunities: As we look to the future, the Division continues to work toward refreshing our laws, processes, and policies to find ways to align with the governor's goal of creating a 'Competitive Business Environment' that is fair and protects the general welfare of Iowans. The Division recognizes the need and continues to make improvements to meet industry and consumer demands for brand diversity, blending of business models, increased convenience, and advances in technology.

Challenges: The Division is faced with the challenge of balancing industry its obligation to generate revenue through the distribution of spirits to over 1,500 class "E" customers with the responsibility of licensing, regulating, and educating the beverage alcohol industry.

Population Served: In Fiscal Year 2018, the Division issued over 16,000 licenses and permits. Licensees and permittees include on- and off-premises retailers, manufacturers, brokers, and wholesalers. The Division interacts with licensees and permittees in multiple ways, including providing platforms for online licensing and product ordering, conducting compliance inspections, audits, and investigations to protect the public health, safety, and welfare and ensure a fair and level playing field for all licensees and permittees, and delivering orders to class "E" licensees.

Trends: The alcoholic beverages industry in the United States is anything but static. Mergers and acquisitions on a global scale, along with a craft industry growing at a pace never seen before, are intertwined with changes in retailer demands for increased access to alcohol products, technology, and expectations of greater selection and convenience. The Division will need to continue to adapt operations to enable it to work effectively with this evolving industry and consumers.

Governor's Goals

The Division's strategic plan focuses on being efficient with the expenditure of public funds while seeking opportunities to improve services, maximizing revenues, and providing education and outreach to internal and external stakeholders. The Division will be aggressive in seeking operational and financial efficiencies that align with the Governor's strategic goals

Governor's Strategic Goals:

- Creating a Competitive Business Environment
- Developing the Most Innovative Energy Policy in the Country
- Educating our Children for the Knowledge Economy
- Training Iowans for the Job of Tomorrow



Strategic Goal Overview

ABD established five- year strategic goals to set the long- term outcomes and direction for our programs.

Strategic Goals

GOAL 1: Maximize revenue to the General Fund through ongoing improvements in the distribution of spirits.

By creating a revenue-maximizing product portfolio and reducing distribution operating costs, profits are expected to rise. Additionally, using analytics to monitor trends will improve sales and thus more revenue to the General Fund.

GOAL 2: Provide educational opportunities for internal and external stakeholders, and refresh the regulatory program that ensures licensee compliance.

Improve compliance through providing reference materials electronically and provide educational training to staff to enhance internal processes.

GOAL 3: Maintain a competitive and transparent environment for Iowa businesses

Collaborate with policymakers to identify what should be the drivers of change to modify Iowa's alcohol laws.



Goal 1:

Maximize revenue to the General Fund through ongoing improvements in the distribution of spirits.

Strategy 1: Structure the Division to maximize operational efficiency and to create opportunities to lower its costs.

- Measure progress by achieving lower operating costs related to freight and warehouse expenses.
- Measure progress with return on sales exceeding 25% from year to year
- Measure progress by reducing cost per case delivered
- Review and implement proposals from an independent study to increase distribution efficiency and scalability while reducing risk.
- Implement site improvements for increased safety, security, and increased value of the State asset.

Strategy 2: Maximize revenue generation within the Division's business model.

- Measure progress by increases in income from operations.
- Measure progress by increases in the percentage of net profit.
- Search for alternative uses of the Division's logistics capabilities.
- Create a revenue-maximizing product portfolio.
- Reduce distribution operating costs year over year.

Strategy 3: Utilize technology for the efficient delivery of services.

- Ensure safety, security, and continuation of Division functions by maintaining state-mandated COOP/COG.
- Pursue technological innovation with an expectation of return on investment.
- Complete implementation and integration of technology platforms across core Division functions.
- Process improvement for electronic reporting of both beer and wine taxes.

Goal 2:

Provide educational opportunities for internal and external stakeholders, and refresh the regulatory program that ensures licensee compliance.

Strategy 1: Increase compliance with Iowa Code chapter 123 by continuing to offer training and education to law enforcement, local authorities, and licensees/permittees.

- Expand the Division's outreach strategy to make compliance training accessible to all stakeholders and partners
- Refresh reference materials and make these materials available electronically.
- Provide easier access for retailers to educational materials such as I-PACT and I-PLEDGE.
- Measure progress by decreases in non-compliance from the prior year to the current year
- Measure progress by increases in training programs offered in a year.
- Qualifying and licensing businesses to operate in the alcohol and tobacco trade
- Collecting federal excise taxes on alcohol, tobacco, firearms, and ammunition, which includes classifying products for tax purposes and verifying compliance through audits and investigations
- Detecting and addressing illicit activities relating to alcohol and tobacco diversion

Strategy 2: Increase knowledge and training of Division staff.

- Review succession planning, chain of command, and emergency management training, and execute practice drills periodically.
- Create written processes and procedures for all agency job functions.
- Identify opportunities for professional growth and development of Division staff.
- Hire additional personnel with accounting, investigative, and regulatory compliance backgrounds.
- Measure progress by maintaining individual staff training plans

Goal 3:

Maintain a competitive and transparent environment for Iowa businesses

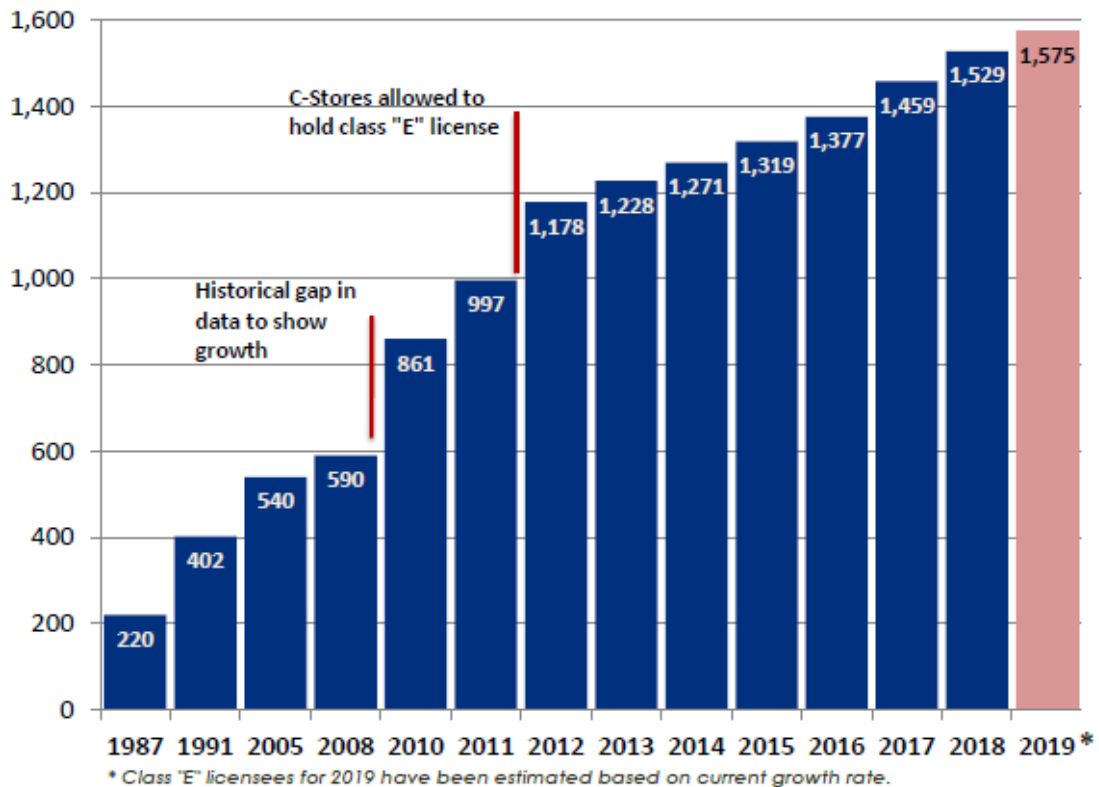
Strategy 1: Create regulatory clarity by modernizing the rules and regulations that affect the alcoholic beverages industry.

- Review and refresh the Division's rules and regulations.
- Review and refresh Iowa Code chapter 123
- Collaborate with policymakers to identify what should be the drivers of change to modify Iowa's alcohol laws.

Strategy 2: Enhance existing partnerships and build new relationships and networks.

- Expand partnerships with other state agencies to increase the quality, and consistency in alcohol and tobacco regulatory compliance, and education and outreach.
- Strengthen communications and relationships with customers and suppliers.

Class E License Growth



In 2012, there was an increase in the number of class "E" licensees due to a change in the law that allowed convenience stores to be licensed to sell liquor. Since that time, the number of class "E" licensees continues to grow and increases the number of distribution points across the state. The Division is committed to serving these customers through the responsible and efficient distribution of alcohol.

Retail Licenses and Permits Issued

RETAIL LICENSES, PERMITS ISSUED *

	12 Month	8 Month	6 Month	14 Day	5 Day	Sub Permit	F Y18 Total	F Y17 Total	Increase/ Decrease
On- Premises									
Class "B" Beer Permit (BB)	454	14	83	24	412		987	1,039	-5.0%
Class "A" Liquor License (LA)	129				9		138	134	3.0%
Class "B" Liquor License (LB)	138		1		1		140	126	11.1%
Class "C" Liquor License (LC)	4,071	43	59	14	352		4,539	4,468	1.6%
Class "C" Native Distilled Spirits Liquor License (LCN)	5						5	0	0%
Class "D" Liquor License (LD)	22		1				23	23	0%
Special Class "C" Liquor License (BW)	555	7	33	6	195		796	785	1.4%
Class "C" Native Wine Permit (WCN)	74		1		9	43	127	140	-9.3%
Total	5,448	64	178	44	978	43	6,755	6,715	0.6%
Off- Premises									
Class "C" Beer Permit (BC)	1,684					1,373	3,057	2,954	3.5%
Class "E" Liquor License (LE)	1,473						1,473	1,332	10.6%
Class "B" Wine Permit (WB)	27	1	1			1,885	1,914	1,774	7.9%
Class "B" Native Wine Permit (WBN)	309		9	3	22	905	1,248	1,223	2.0%
Total I	3,493	1	10	3	22	4,163	7,692	7,283	5.6%
Special Class "A" Beer Permit (BREW PUB)									
Class "B" Beer Permit (BB)	3						3	3	0%
Class "C" Liquor License (LC)	42						42	34	23.5%
Total	45						45	37	21.6%
Charity Beer, Spirits, and Wine Auction Permit (CP)	89						89	69	29.0%
TOTAL RETAIL LICENSES / PERMITS							14,581	14,104	3.4%

* Permits Issued on pages 11 and 12 refer to the total number of licenses processed by the Licensing team within the e-Licensing system for the fiscal year.

Non- Retail Licenses, Permits, Certificates Issued

NON-RETAIL LICENSES, PERMITS, CERTIFICATES ISSUED

	12-Month FY18 Total	12-Month FY17 Total	I ncrease/ Decrease
Importer/ Manufacturer			
Brewer's Certificate of Compliance (CB)	181	155	16.8%
Distiller's Certificate of Compliance (CD)	214	179	19.6%
Vintner's Certificate of Compliance (CV)	627	541	15.9%
Total	1,022	875	16.8%
Wholesale r			
Class "A" Beer Permit (BA)	40	37	8.1%
Class "A" Wine Permit (WA)	33	32	3.1%
Total	73	69	5.8%
In- State Manufacturer			
Class "A" Beer Permit (BAN)	63	47	34.0%
Class "A" Wine Permit (WAN)	112	98	14.3%
Class "A" Native Distilled Spirits License (ND)	16	11	45.5%
Manufacturer's License (CM)	16	19	-15.8%
Total	207	175	18.3%
Broker 's Permit (SP)	35	25	40.0%
Wine Direct Shippers License (DS)	942	800	17.8%
Wine Carrier Permit (AC) Issued once in 2 010	0	0	0%
<i>*All Wine Carrier Permits (4) were issued a one-time permit in 2010. This used to be an Alcohol Carrier Permit until 7/1/2018 with the new law change.</i>			
Total Non- Retail Licenses	2,279	1,769	17.1%

Comparison of Licenses/Permits/Sub-Permits Issued to In-State Manufacturers

FY17		FY18	
BAN/BAAN	47/41	BAN ¹	63
Brewpub/High Proof Brewpub	35/14	Brewpub ²	45
WAN	98	WAN	112
MD	11	ND ³	16
CM	19	CM	16
TOTAL	265		252

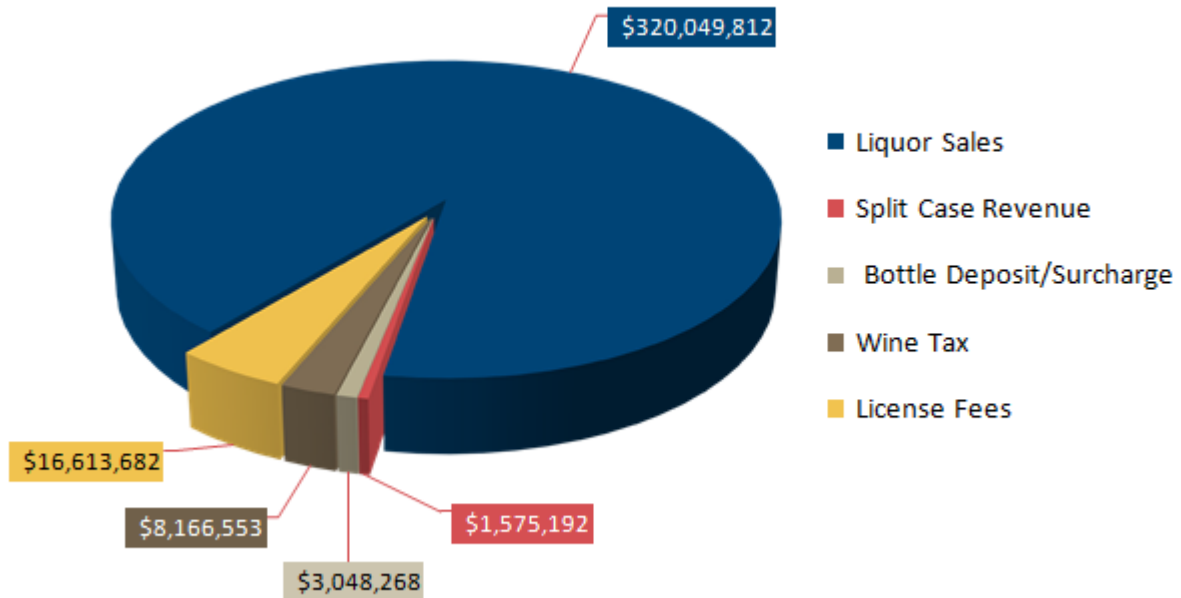
Comparison Notes

¹Law change eliminated class "AA" beer permit classification and authorized class "A" beer permit holders to manufacture both beer and high alcoholic content beer.

²Law change eliminated special class "AA" beer permit classification (high proof brewpub) and authorized special class "A" beer holders to manufacture both beer and high alcoholic content beer.

³Law change renamed micro-distillery (MD) to native distillery (ND).

Revenue Earned



Liquor Sales

\$320,049,812

The Division is the sole wholesaler for alcoholic liquor sold in Iowa and delivers product to over 1,529 off-premises retail locations across the state. Iowa Code requires the Division to mark up product up to 50%. Iowa Code §123.24(4).

Bottle Deposit / Surcharge

\$3,048,268

Pursuant to Iowa Code §455C)(2) and Iowa Code §123.24(5), the Division will charge a bottle deposit and a surcharge to be included in the wholesale purchase price. The charge assessed by the Division is \$0.09 per unit sold and includes the 5-cent bottle deposit.

Split Case

\$1,575,192

A 'split case' fee is applied when liquor is sold to a retailer as a single bottle. The split case fee is \$0.50 per bottle.

Wine Tax

\$8,166,553

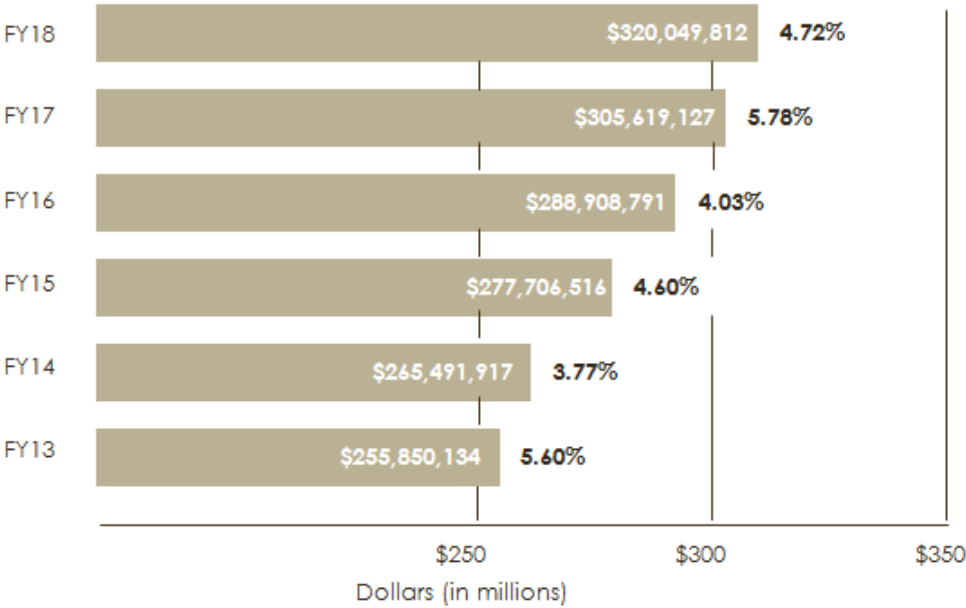
All wine sold at wholesale in the state, as well as wine directly shipped to consumers within Iowa, is assessed a tax at the rate of \$1.75 per gallon. All regular wine tax is collected by the Division.

License Fees

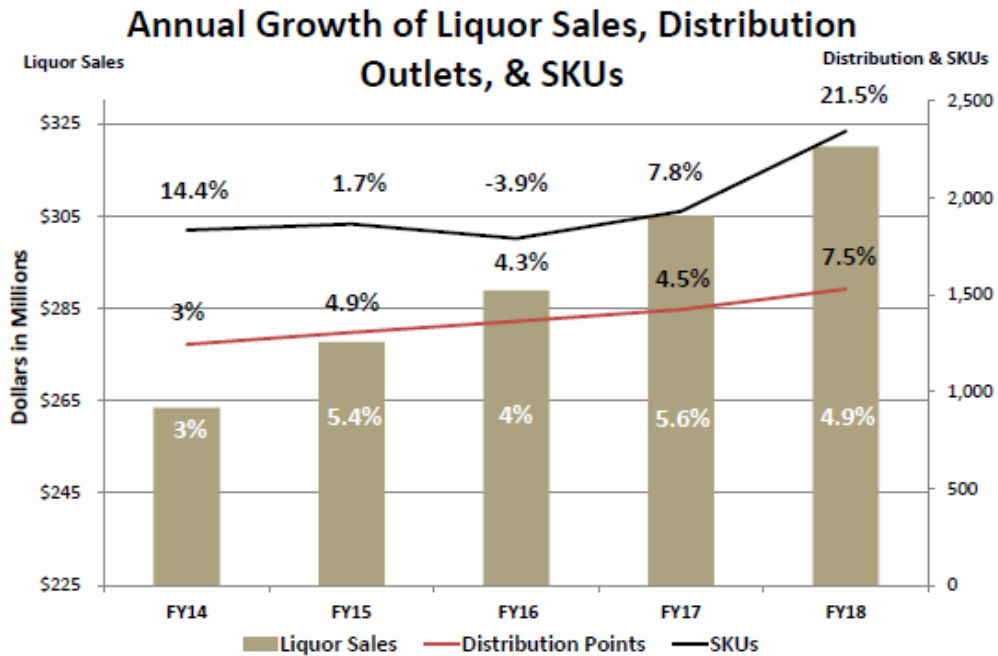
\$16,613,682

Fees collected are for the licenses, permits, and certificates required for the manufacturing, importing, and sale of liquor, beer, and wine in the state.

Annual Liquor Sales Comparison



Annual Liquor Sales Comparison



Fiscal Year	Liquor Sales	Distribution Points	SKUs
FY2014	\$263,495,000	1,243	1,833
FY2015	\$277,706,000	1,305	1,864
FY2016	\$288,908,000	1,362	1,790
FY2017	\$305,000,000	1,423	1,930
FY2018	\$320,049,812	1,529	2,344

The Division has experienced growth in many aspects of the business model, including class "E" licensees and SKUs. More class "E" licensees increases the number of distribution points delivered to on a weekly basis. The number of SKUs refers to the diverse catalog of products offered for distribution to class "E" licensees. The following graph depicts the growth of liquor sales as well as the distribution and SKU growth over the last 5 years.

Where the Profits Go

Revenue Transferred

General Fund Reversion

\$97,537,820

Payments made to the State General Fund come from several sources within the Division, with the main resources being liquor sales and license revenues. The funds are appropriated by the Legislature to different departments and programs throughout the state.

State Aid to Cities and Counties

\$3,536,759

A percentage of revenue collected from sales of licenses are remitted to the local authorities (cities and counties) involved in the issuance of licenses.

Iowa Department of Public Health:

Substance Abuse

\$22,513,750

The Division transfers 7% of gross sales of liquor to the State General Fund for specific appropriation to the Iowa Department of Public Health for administering of substance abuse and prevention education programs.

Sunday Sales

\$911,293

The Department of Public Health receives Sunday Sales license fees, of which 50% are to be earmarked for grants to counties for operating substance abuse programs involving education, prevention, referral or post-treatment services.

Revenue Processed

General Fund:

Beer Tax

\$13,592,912

All beer sold at wholesale in the State of Iowa is assessed a tax at the rate of \$0.19 per gallon. Beer tax is processed and deposited into the State General Fund to be appropriated by the Legislature to different departments and programs throughout the state.

Iowa Economic Development Authority:

\$419,849

Tax revenues collected from native Iowa wine producers (\$289,916) and native breweries (\$129,933) are directed to the Iowa Economic Development Authority's Beer and Wine Promotion Board. Funds collected are used for research and development of training programs within the native wine, beer, and liquor industries.

Beer and Wine Gallons Sold

	FY18 Gallons	FY17 Gallons	Increase (Decrease) + / -
Beer Gallons	71,541,643	73,179,382	-2.24%
Native Beer Gallons	683,858	615,451	11.11%
Total Beer Gallons	72,225,501	73,794,833	-2.13%
Wine Gallons	4,666,602	4,616,025	1.10%
Native Wine Gallons	165,666	177,253	-6.54%
Total Wine Gallons	4,832,268	4,793,278	0.81%

Taxes Processed

(year ended 6-30-18) (Includes penalties and adjusted for fiscal year collection and refunds)

	FY18	FY17	+ or (-) % FY18 vs FY17
Beer Tax	\$13,592,912	\$14,231,743	-4.49%
Native Beer Tax	\$129,933	\$108,887	19.33%
Wine Tax	\$8,166,553	\$7,648,753	6.77%
Native Wine Tax	\$289,916	\$320,516	-9.55%
Total Taxes Processed	\$22,179,314	\$22,309,899	-0.59%

License Revenue

(year ended 6-30-18)

	FY18	FY17	+ or (-) % FY18 vs FY17
Liquor Permits	\$15,111,660	\$14,256,852	6.00%
Wine Permits	\$72,727	\$68,925	5.52%
Beer Permits	\$1,238,395	\$1,188,882	4.16%
Special Licenses *	\$9,900	\$7,885	25.55%
Compliance Licenses **	\$181,000	\$141,925	27.53%
Total License Revenue	\$16,613,682	\$15,664,468	6.06%

* Charity Auction Permit, Broker's Permit

** Vintner's Certificate of Compliance, Brewer's Certificate of Compliance, Distiller's Certificate of Compliance

Liquor Control Trust Fund Summary

	FY2016	FY2017	FY2018
Sale of Liquor	\$288,908,790	\$305,619,126	\$320,049,812
Sale of Licenses	\$15,608,360	\$15,664,468	\$16,613,682
Beer Tax Collected	\$14,231,744	\$13,904,082	\$13,592,912
Wine Tax Collected	\$7,648,753	\$8,078,043	\$8,166,553
Micellaneous Revenue	\$4,226,128	\$4,503,333	\$4,731,204
Total Deposits	\$330,623,775	\$347,769,052	\$363,154,163
Total Expenses	\$(220,699,907)	\$(234,511,967)	\$(227,665,459)
Total Revenues	\$109,923,868	\$113,257,085	\$135,488,704

